

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Iron Mountain	County Dickinson
Fiscal Year End 6-30-2006	Opinion Date 9-29-2006	Date Audit Report Submitted to State 11-27-2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	n/a	
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-774-4300	
Street Address Po Box 828		City Iron Mountain	State MI
Zip 49801			
Authorizing CPA Signature 	Printed Name L. Robert Schaut, CPA	License Number 263269	

**CITY OF IRON MOUNTAIN**

**REPORT ON FINANCIAL STATEMENTS**

(with additional information)

For the Year Ended June 30, 2006

# CITY OF IRON MOUNTAIN

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ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS





**ANDERSON, TACKMAN & COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

*A Regional Firm with Offices in Michigan and Wisconsin*

Principals - Iron Mountain:  
L. Robert Schaut, CPA  
David J. Johnson, CPA  
Shane M. Ellison, CPA

Member of:  
Private Companies Practice Section  
American Institute of Certified  
Public Accountants

INDEPENDENT AUDITORS' REPORT

Members of the City Council  
City of Iron Mountain  
Iron Mountain, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Iron Mountain ("City"), Michigan, of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely component units, each major fund, and the aggregate remaining fund information of the City of Iron Mountain, Michigan, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the required supplemental information identified in the table of contents are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*", and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ANDERSON, TACKMAN & COMPANY, PLC  
Certified Public Accountants

Iron Mountain, Michigan  
September 29, 2006

## MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the City of Iron Mountain's financial performance provides an overview of the City's financial activities for the year ended June 30, 2006. Please read it in conjunction with the City's financial statements.

### FINANCIAL HIGHLIGHTS

- The City's total net assets increased \$2,391,027 or 7.4%, for the year ended June 30, 2006. The net assets of our governmental activities increased \$1,489,660 or 5.7% while the net assets of our business type activities (Water Utility and Sewer Funds) increased \$901,367 or 14.4%.
- During the year ended June 30, 2006 the City's governmental revenues exceeded expenditures by \$1,489,660. This compares to an excess of revenues over expenditures of \$1,476,279 for the year ended June 30, 2005, change of \$13,381, which was mainly the result of increased earnings on investments.
- During the year ended June 30, 2006 the City's business-type activities revenues exceeded expenses by \$901,367. This compares to an excess of revenues over expenses of \$465,446 for the year ended June 30, 2005. The increase of \$435,921 was primarily a result of the following:

Increase in charges to customers for water and sewer services	\$ 90,704
Increase in operating expenses	(86,537)
Increase in net non-operating expenses	(25,140)
Increase in contributions in aid of construction	320,272
Decrease in net transfers out to the Water Capital Improvement Fund	156,622
Increase in transfers out to General Fund	<u>(20,000)</u>
Total	<u>\$ 435,921</u>

- The total cost of all of the City's programs was \$8,426,798 for the year ended June 30, 2006 and \$7,397,809 for the year ended June 30, 2005, for an increase of \$1,028,989 or 13.9%. The increase was substantially related to public works and capital expenditures.
- The general fund reported an excess of revenues over expenditures for the year ended June 30, 2006 of \$150,197, \$(405) less than the budgeted excess of \$150,602. The excess of \$150,197 was 3.3% of general fund revenues of \$4,474,603.

### USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. For governmental activities, these statements report how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statement provides financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

## Reporting the City as a Whole

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question.. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's *net assets* and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall financial health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Government activities – Most of the City's basic services are reported here including public safety, public works, parks and recreation and general administration. Property taxes, franchise fees, state shared revenues, and state and federal grants fund most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the costs of certain services it provides. The City's Water and Sewer Departments are reported here.

## Reporting the City's Most Significant Funds

The fund financial statements provide detailed information on the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting methods.

- *Government funds* – Most of the City's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's



Enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities – such as the City's Equipment Fund.

### The City as a Trustee

The City is the trustee, *or fiduciary*, of tax receipts that are collected for other agencies and held for periodic payment to those agencies. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these funds from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### The City as a Whole

The City's combined net assets at June 30, 2006 increased \$2,391,027 from June 30, 2005 as shown in Table 1.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Totals	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 6,672,905	\$ 6,768,114	\$ 1,967,887	\$ 2,497,295	\$ 8,640,792	\$ 9,265,409
Capital assets (net)	<u>24,504,948</u>	<u>23,526,148</u>	<u>10,015,387</u>	<u>8,964,597</u>	<u>34,520,335</u>	<u>32,490,745</u>
Total assets	<u>31,177,853</u>	<u>30,294,262</u>	<u>11,983,274</u>	<u>11,461,892</u>	<u>43,161,127</u>	<u>41,756,154</u>
Long-term debt outstanding	(3,320,932)	(4,016,391)	(4,565,000)	(4,650,000)	(7,885,932)	(8,666,391)
Other liabilities	<u>(412,145)</u>	<u>(322,755)</u>	<u>(246,069)</u>	<u>(541,054)</u>	<u>(658,214)</u>	<u>(863,809)</u>
Total liabilities	<u>(3,733,077)</u>	<u>(4,339,146)</u>	<u>(4,811,069)</u>	<u>(5,191,054)</u>	<u>(8,544,146)</u>	<u>(9,530,200)</u>
Net Assets:						
Invested in capital assets, net of related debt	21,203,086	19,523,414	5,450,387	4,314,597	26,653,473	23,838,011
Restricted for debt service	1,588,644	1,599,261	-	-	1,588,644	1,599,261
Unrestricted	<u>4,653,046</u>	<u>4,832,441</u>	<u>1,721,818</u>	<u>1,956,241</u>	<u>6,374,864</u>	<u>6,788,682</u>
Total net assets	<u>\$ 27,444,776</u>	<u>\$ 25,955,116</u>	<u>\$ 7,172,205</u>	<u>\$ 6,270,838</u>	<u>\$ 34,616,981</u>	<u>\$ 32,225,954</u>

Net assets of the City's governmental activities stood at \$27,444,776. Unrestricted net assets – the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$4,653,046.

Net assets of the business-type activities stood at \$7,172,205. Unrestricted net business assets were \$1,721,818. In general, the business-type activities unrestricted net assets should be used to finance operations of our Water and Sewer Funds.

Table 2 outlines changes in the City's net assets.

**Table 2**  
**Changes in Net Assets**

	Governmental Activites		Business-Type Activites		Totals	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Program revenues:						
Charges for services	\$ 592,101	\$ 415,945	\$ 1,551,596	\$ 1,461,115	\$ 2,143,697	\$ 1,877,060
Operating grants	-	10,342	-	-	-	10,342
General revenues:						
Property taxes	5,333,802	5,080,850	-	-	5,333,802	5,080,850
State revenue sharing	2,447,445	1,938,046	-	-	2,447,445	1,938,046
Unrestricted grants	40,431	39,118	-	-	40,431	39,118
Unrestricted investment earnings	230,583	170,591	36,336	35,667	266,919	206,258
Miscellaneous	<u>69,061</u>	<u>106,534</u>	<u>2,776</u>	<u>291</u>	<u>71,837</u>	<u>106,825</u>
Total revenues	<u>8,713,423</u>	<u>7,761,426</u>	<u>1,590,708</u>	<u>1,497,073</u>	<u>10,304,131</u>	<u>9,258,499</u>
Program Expenses:						
General government	974,029	752,813	-	-	974,029	752,813
Public safety	2,350,041	2,178,036	-	-	2,350,041	2,178,036
Parks and recreation	128,831	132,005	-	-	128,831	132,005
Cemetery	169,659	242,328	-	-	169,659	242,328
General public works	3,493,985	2,943,993	-	-	3,493,985	2,943,993
Interest on long-term debt	191,407	220,726	-	-	191,407	220,726
Water	-	-	1,014,686	815,577	1,014,686	815,577
Sewer	<u>-</u>	<u>-</u>	<u>104,160</u>	<u>112,331</u>	<u>104,160</u>	<u>112,331</u>
Total expenses	<u>7,307,952</u>	<u>6,469,901</u>	<u>1,118,846</u>	<u>927,908</u>	<u>8,426,798</u>	<u>7,397,809</u>
Excess before transfers and contributions in aid of construction	1,405,471	1,291,525	471,862	569,165	1,877,333	1,860,690
Contributions in aid of construction	-	-	493,718	172,611	493,718	172,611
Transfers	<u>84,189</u>	<u>184,754</u>	<u>(64,213)</u>	<u>(276,330)</u>	<u>19,976</u>	<u>(91,576)</u>
Increase in net assets	1,489,660	1,476,279	901,367	465,446	2,391,027	1,941,725
Net assets – beginning	<u>25,955,116</u>	<u>24,478,837</u>	<u>6,270,838</u>	<u>5,805,392</u>	<u>32,225,954</u>	<u>30,284,229</u>
Net assets – ending	<u>\$ 27,444,776</u>	<u>\$ 25,955,116</u>	<u>\$ 7,172,205</u>	<u>\$ 6,270,838</u>	<u>\$ 34,616,981</u>	<u>\$ 32,225,954</u>

## Governmental Activities

Table 3 presents the cost of each of the City's five largest activities – Public Safety, Cemetery, Parks and Recreation, General Public Works, and General Government – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Public safety	\$ 2,350,041	\$ 2,178,036	\$ 2,347,679	\$ 2,175,674
Cemetery	169,659	242,328	84,460	161,526
Parks and recreations	128,831	132,005	128,831	132,005
General public works	3,493,985	2,943,993	3,326,065	2,765,917
General government	<u>974,029</u>	<u>752,813</u>	<u>637,409</u>	<u>587,766</u>
Totals	<u>\$ 7,116,545</u>	<u>\$ 6,249,175</u>	<u>\$ 6,524,444</u>	<u>\$ 5,822,888</u>

## Business-type Activities

Revenues for the City's business-type activity totaled \$1,551,596 for fiscal year 2006 and \$1,461,115 for fiscal year 2005. The increase is due to the increases in rates charged to customers.

## THE CITY'S FUNDS

At June 30, 2006 the City's governmental funds reported a combined fund balance of \$6,173,947, a decrease of \$24,080 from \$6,198,027 at June 30, 2005.

## General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City general fund budget one time. The purpose of this revision was to recognize major changes in revenue or expenses. The major revision included:

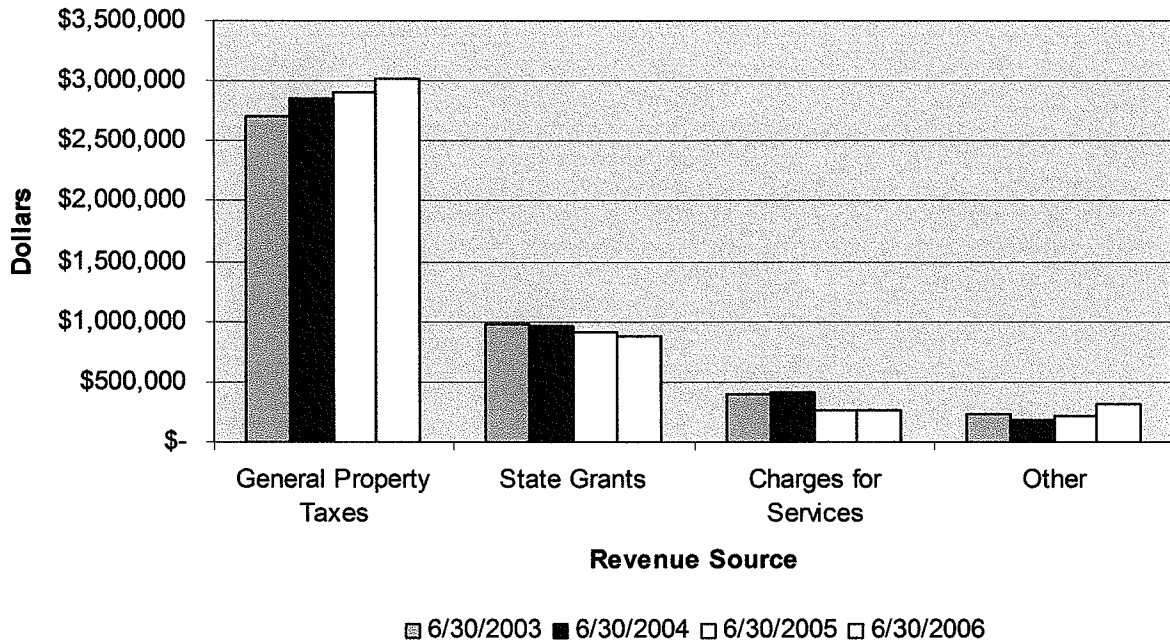
- 1) Increase general government expenditures \$ 192,700

Actual charges to expenditures were \$7,459 less than the final budget and revenues were \$7,864 less than the final budget. The net variation to budget was a loss of \$405.

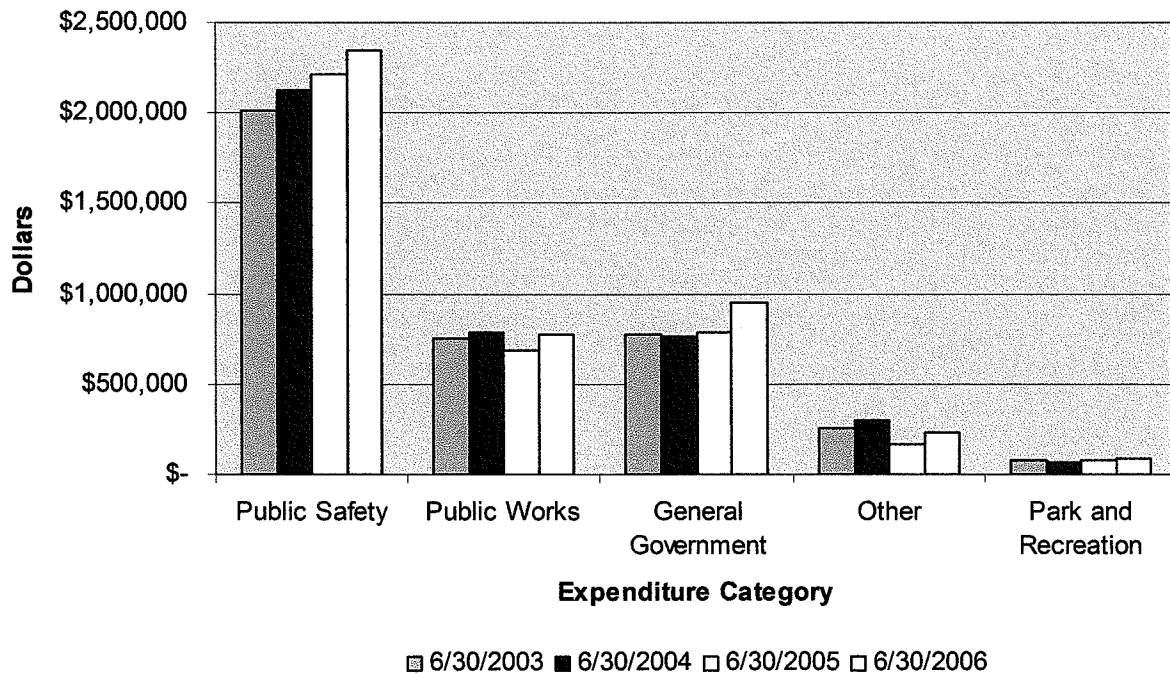
## GENERAL FUND REVENUES AND EXPENDITURES

The City's General Fund revenues and expenditures for the years ended June 31, 2003, 2004, 2005 and 2006 are summarized in the following bar graphs:

### General Fund Revenues



### General Fund Expenditures



## **GENERAL FUND REVENUES**

The graph once again vividly shows the City's continuing reliance on general property taxes to fund general governmental operations. This is so even as the City has lowered millage for the last three consecutive fiscal years. The City will continue to examine this revenue source, reduce millage where and when appropriate given the general and steady appreciation of property values in the City and the continued erosion of State-shared revenues. State grants have declined slightly due to last years projects being completed and grants received in the current year not being as large. The City continues to pursue grant funding in all areas of operations and from all sources. That effort has netted approximately \$3.0 million in grants over the past three years. Even though the City has increased fees for services, that area of general revenue has remained stable. This is a revenue source that the City will continue to examine in future fiscal years. It is important that the City diversify its revenue sources so as not to become reliant on any one source. By finding and/or developing new sources of revenue, we become less dependent on general property taxes, are able to offset expenditures in general governmental areas and create diversification. The City will have to continue to examine charges for services to make sure these fees/charges are keeping pace with the cost of providing that service and general inflationary pressures. The City needs to continue to aggressively pursue economic development and expansion of the tax base both locally and regionally to lessen pressure on general taxes. Increasing tax base by existing business expansion and new businesses locating in the City continues to be an effort we aggressively pursue. Expanding tax base increases market value, increases equalized valuation for tax purposes and allows for millage reductions.

## **GENERAL FUND EXPENDITURES**

This graph continues to show public safety expenditures increasing. Some of those expenditures can be considered as first year costs to change the way the City provides that service. The City continues to pursue reducing those costs while providing efficient and effective service. The efforts to change the environment of public safety continue and over the next several years the City will continue to pursue a regional and collaborative approach to providing this service so costs can be reduced. The City recently was designated a Center for Regional Excellence by the Governor's Office and pursuing a regional approach to public safety is one of the areas of analysis. Other general governmental costs have increased slightly, due to renewed and continued emphasis on technology enhancements, infrastructure improvements and general administrative changes. The City will continue to place emphasis on technology so internally we are more efficient and provide a high level of service to the residents. Expansion of services for parks and recreation is a goal over the next several years. Enhancements to parks and park equipment, continued work on the north side field, expanding a non-motorized trail system, improvements to the boat launch are all areas of future expenditure. It is the goal to be a balanced City, in fact, to be a City continually focused on the enhancement of quality of life services. We will continue all avenues to reduce costs, provide better balance and enhance the commitment to our residents.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2006 the City had \$55,092,101 invested in a variety of capital assets including equipment, buildings, parks, roads, and water systems as follows:

Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 2,822,831	\$ 2,822,831	\$ 43,236	\$ 43,236	\$ 2,866,067	\$ 2,866,067
Land improvements	1,409,236	522,038	-	-	1,409,236	522,038
Buildings	4,277,665	4,274,161	-	-	4,277,665	4,274,161
Equipment	1,597,813	1,394,008	248,446	180,346	1,846,259	1,574,354
Vehicles	2,249,166	2,250,191	-	-	2,249,166	2,250,191
Infrastructure	<u>30,755,132</u>	<u>30,257,263</u>	<u>11,688,576</u>	<u>10,564,847</u>	<u>42,443,708</u>	<u>40,822,110</u>
Total cost	43,111,843	41,520,492	11,980,258	10,788,429	55,092,101	52,308,921
Less: accumulated depreciation	<u>(18,606,895)</u>	<u>(17,994,344)</u>	<u>(1,964,871)</u>	<u>(1,823,832)</u>	<u>(20,571,766)</u>	<u>(19,818,176)</u>
NET CAPITAL ASSETS	<u>\$ 24,504,948</u>	<u>\$ 23,526,148</u>	<u>\$ 10,015,387</u>	<u>\$ 8,964,597</u>	<u>\$ 34,520,335</u>	<u>\$ 32,490,745</u>

### Debt

At the end of fiscal year 2006 City had \$3,301,862 in bonds and notes outstanding as depicted in Table 5 below, a reduction of \$700,872 from the outstanding amount of \$4,002,734 at June 30, 2005.

Table 5  
Outstanding Debt at Year-End

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
T.I.F.A. Bonds	\$ 2,750,000	\$ 3,585,000
Installment loans	<u>551,862</u>	<u>417,734</u>
Total	<u>\$ 3,301,862</u>	<u>\$ 4,002,734</u>

## **ECONOMIC FACTORS AND NEXT YEAR'S FISCAL OUTLOOK**

The City's elected and appointed officials diligently examine all sources of revenue when setting tax rates, fees and charges for the year. Not only do we look internally, but we examine issues at the state and federal levels that may have an impact on City finances. It is that analysis that has allowed the City to reduce millage each year for the past three years. Tax base has expanded, jobs have been created, grant funds have been secured, our lobbying efforts via the Michigan Municipal League have resulted in no loss of state shared revenues from 2006 to 2007, all going to enhance fiscal stability and increase fiscal health.

The year ending June 30, 2006, saw the Systems Control project completed. It also saw the start of a million dollar project to provide a new road and expanded utilities on Trader's Mine Road to serve the new Champion-Gundlach office complex. Both of these projects will increase the City's tax base and create new jobs. Bay West College, begun this year will be complete by September, 2007, being the new, permanent home to as many as 1,200 students. New businesses have already sprung up across the street from the campus. Additionally, Champion has petitioned the State of Michigan to annex the remainder of their property immediately north of the campus into the City to receive City utilities. These improvements will add tax base to the City, provide our residents the immediate benefits of higher education, new jobs and enhanced commercial and office space alternatives.

The year ending June 30, 2006, saw significant street rehabilitation undertaken, as well as improvements to the water and sewer systems. These improvements will be continued into FY 2006-2007 and beyond. It is the goal of the City to allocate funds each year for the rehabilitation of both major and local streets. The City has received grant fund for some of these projects and will receive approximately \$430,000 in early 2007 for projects to start in the spring. Infrastructure improvements are high on the list of rehabilitation projects for the City.

The City, along with the DDA and the IMBPA will continue efforts to revitalize the City's downtown. Using the existing Economic and Marketing Analysis we will continue to pursue business expansion, new businesses locating here and an expansion of downtown residential living. It is important that our downtown not only be a commercial location but a residential one as well. Additionally, given that the City is now a Main Street City (designated by the State of Michigan in July, 2006), the City will be able to take advantage of approximately \$300,000 of State of Michigan and National Main Street services to improve, enhance and revitalize the downtown. The redesign of buildings, improved zoning and signage, historic analyses of buildings, etc. are just a portion of the services the City and individual businesses will receive, which would not be affordable otherwise.

Strides have been made this past year in the economic climate in the City. As the City moves into 2007 and beyond, the recent successes will lead to additional ones. The City is seeing that now with new hotel being built, several new commercial facilities underway, existing buildings being rehabilitated and new residential development taking place. The City will build upon the successes of 2005-2006. Low interest rates, low inflationary pressure will assist in this growth and the residents of the City will be the beneficiary.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designated to provide our citizens, taxpayers and customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager's office at Iron Mountain, 501 S. Stephenson Avenue, Iron Mountain, MI 49801, (906) 774-8530.

# CITY OF IRON MOUNTAIN

## STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities	Business-Type Activities	Total	Component Unit
<b>ASSETS:</b>				
Current assets:				
Cash and equivalents - unrestricted	\$ 1,284,983	\$ 189,520	\$ 1,474,503	\$ 95,722
Cash and equivalents - restricted	-	558,136	558,136	-
Investments - unrestricted	4,530,803	693,094	5,223,897	296,879
Investments - restricted	-	99,247	99,247	-
Receivables:				
Taxes	28,419	-	28,419	-
Accounts	576,369	232,360	808,729	9,478
Interest & dividends	42,718	4,088	46,806	-
Due from other funds	45,677	5,787	51,464	-
Inventory	133,907	85,025	218,932	382
Deferred charges	-	98,742	98,742	-
Prepaid expenses	30,029	1,888	31,917	14,207
	<u>6,672,905</u>	<u>1,967,887</u>	<u>8,640,792</u>	<u>416,668</u>
Total current assets				
Noncurrent assets:				
Capital assets	43,111,843	11,980,258	55,092,101	5,706,157
Accumulated depreciation	(18,606,895)	(1,964,871)	(20,571,766)	(2,991,508)
	<u>24,504,948</u>	<u>10,015,387</u>	<u>34,520,335</u>	<u>2,714,649</u>
Total noncurrent assets				
<b>TOTAL ASSETS</b>	<u>31,177,853</u>	<u>11,983,274</u>	<u>43,161,127</u>	<u>3,131,317</u>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	300,148	30,608	330,756	12,472
Accrued other	32,900	73,146	106,046	26,010
Accrued wages	33,523	8,513	42,036	-
Accrued interest	26,153	-	26,153	-
Deferred revenue	1,437	-	1,437	-
Due to other funds	5,787	43,965	49,752	-
Due to other governmental units	8,496	35,879	44,375	-
Other liabilities	3,701	53,958	57,659	-
Compensated absences	6,513			
Bonds payable	510,000	85,000	595,000	-
Notes payable	82,127	-	82,127	-
	<u>1,010,785</u>	<u>331,069</u>	<u>1,341,854</u>	<u>38,482</u>
Total current liabilities				

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS





# CITY OF IRON MOUNTAIN

## STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities	Business-Type Activities	Total	Component Unit
Noncurrent liabilities:				
Compensated absences	12,557	-	12,557	14,713
Bonds payable	2,240,000	4,480,000	6,720,000	-
Notes payable	469,735	-	469,735	-
Total noncurrent liabilities	2,722,292	4,480,000	7,202,292	14,713
TOTAL LIABILITIES	3,733,077	4,811,069	8,544,146	53,195
NET ASSETS:				
Invested in capital assets, net of related debt	21,203,086	5,450,387	26,653,473	2,714,649
Restricted for:				
Debt service	1,588,644	-	1,588,644	-
Unrestricted	4,653,046	1,721,818	6,374,864	363,473
TOTAL NET ASSETS	\$ 27,444,776	\$ 7,172,205	\$ 34,616,981	\$ 3,078,122

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.

# CITY OF IRON MOUNTAIN

## STATEMENT OF ACTIVITIES

June 30, 2006

FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT:	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Component Unit
Governmental Activities:							
General government	\$ 974,029	\$ 336,620	\$ -	\$ -	\$ (637,409)	\$ -	\$ -
Public safety	2,350,041	2,362	-	-	(2,347,679)	-	-
Parks and recreation	128,831	-	-	-	(128,831)	-	-
Cemetery	169,659	85,199	-	-	(84,460)	-	-
General public works	3,493,985	167,920	-	-	(3,326,065)	-	-
Interest on long-term debt	191,407	-	-	-	(191,407)	-	-
Total governmental activities	7,307,952	592,101	-	-	(6,715,851)	-	-
Business-type activities:							
Water utility	1,014,686	1,393,529	-	-	-	378,843	-
Sewer	104,160	158,067	-	-	-	53,907	-
Total business-type activities	1,118,846	1,551,596	-	-	-	432,750	-
Component Unit:							
Public Housing	592,740	208,248	144,018	71,911	-	-	(168,563)
TOTAL PRIMARY GOVERNMENT	\$ 9,019,538	\$ 2,351,945	\$ 144,018	\$ 71,911	\$ (6,715,851)	\$ 432,750	\$ (168,563)
General revenues:							
Property taxes					\$ 5,333,802	\$ -	\$ -
State revenue sharing					2,447,445	-	-
Grants and contributions not restricted to specific programs					40,431	-	-
Unrestricted investment earnings					230,583	36,336	7,421
Contributions in aid of construction					-	493,718	-
Other					69,061	2,776	6,264
Transfers					84,189	(64,213)	-
Total general revenues and transfers					8,205,511	468,617	13,685
Changes in net assets					1,489,660	901,367	(154,878)
Net assets, beginning of year					25,955,116	6,270,838	3,233,000
Net assets, end of year					\$ 27,444,776	\$ 7,172,205	\$ 3,078,122

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF IRON MOUNTAIN****BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2006

	General	Major Street	Local Street	T.I.F.A. Debt Service
<b>ASSETS:</b>				
Cash and equivalents	\$ 161,261	\$ 215,133	\$ 252,769	\$ 82,271
Investments	745,178	373,470	49,758	1,492,771
Receivables:				
Taxes	17,551	-	-	-
Accounts	352,168	76,604	33,450	-
Interest & dividends	8,516	3,277	425	14,136
Due from other funds	74,997	71	-	2,069
Inventory	39,147	-	-	-
Prepaid expenses	24,502	2,424	1,516	-
<b>TOTAL ASSETS</b>	<u>\$ 1,423,320</u>	<u>\$ 670,979</u>	<u>\$ 337,918</u>	<u>\$ 1,591,247</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 121,131	\$ 9,613	\$ 56,810	\$ -
Other accrued expenses	31,422	483	222	-
Accrued wages	29,089	1,252	832	-
Deferred revenue	-	-	-	1,308
Due to other funds	6,750	12,500	16,003	1,295
Due to other governmental units	8,496	-	-	-
Other liabilities	1,032	2,669	-	-
<b>TOTAL LIABILITIES</b>	<u>197,920</u>	<u>26,517</u>	<u>73,867</u>	<u>2,603</u>
<b>FUND BALANCE AND OTHER CREDITS:</b>				
<b>Fund balances:</b>				
Reserved	-	-	-	1,588,644
Unreserved:				
Designated	(38,048)	-	-	-
Undesignated	1,263,448	644,462	264,051	-
<b>TOTAL FUND BALANCE AND OTHER CREDITS</b>	<u>1,225,400</u>	<u>644,462</u>	<u>264,051</u>	<u>1,588,644</u>
<b>TOTAL LIABILITIES, FUND BALANCE AND OTHER</b>	<u>\$ 1,423,320</u>	<u>\$ 670,979</u>	<u>\$ 337,918</u>	<u>\$ 1,591,247</u>



**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

<u>Tax Increment Financing Authority</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 65,989	\$ 500,116	\$ 1,277,539
1,374,803	494,823	4,530,803
10,380	488	28,419
84,103	369	546,694
10,020	6,344	42,718
5,947	30	83,114
-	-	39,147
-	-	28,442
<u>\$ 1,551,242</u>	<u>\$ 1,002,170</u>	<u>\$ 6,576,876</u>
\$ 95,384	\$ 5,869	\$ 288,807
-	-	32,127
-	-	31,173
-	129	1,437
-	640	37,188
-	-	8,496
-	-	3,701
<u>95,384</u>	<u>6,638</u>	<u>402,929</u>
1,455,858	33,423	3,077,925
-	962,109	924,061
-	-	2,171,961
<u>1,455,858</u>	<u>995,532</u>	<u>6,173,947</u>
<u>\$ 1,551,242</u>	<u>\$ 1,002,170</u>	<u>\$ 6,576,876</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF IRON MOUNTAIN**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

June 30, 2006

Total fund balances for governmental funds			\$ 6,173,947
Total net assets reported for governmental activities in the statement of net assets is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			23,342,046
An internal service fund is used by the City to charge the cost of equipment usage to individual departments of the City which are not accounted for as an enterprise activity. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			1,275,868
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.			
Accrued interest on long-term debt	\$ (26,153)		
Bonds payable	(2,750,000)		
Notes payable	(551,862)		
Compensated absences	<u>(19,070)</u>	(3,347,085)	
Total net assets of governmental activities			<u>\$27,444,776</u>

# CITY OF IRON MOUNTAIN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

June 30, 2006

	General	Major Street	Local Street	T.I.F.A. Debt Service
REVENUES:				
General property taxes	\$ 3,020,068	\$ -	\$ -	\$ -
Licenses and permits	20,564	-	-	-
State grants	872,349	653,221	232,778	-
Federal grants	55,589	-	-	-
Charges for services	260,165	-	-	-
Local sources	39,431	-	-	-
Fines and forfeits	23,684	-	-	-
Interest and rents	86,255	22,403	13,617	61,759
Unrealized gain(loss) on investments	(1,450)	(3,429)	431	(35,613)
Other	97,948	2,163	1,779	-
TOTAL REVENUES	<u>4,474,603</u>	<u>674,358</u>	<u>248,605</u>	<u>26,146</u>
EXPENDITURES:				
Legislative	15,003	-	-	-
General government	953,205	-	-	-
Public safety	2,345,086	-	-	-
Public works	770,602	598,322	341,707	-
Park and recreation	87,005	-	-	-
Other	185,935	-	-	-
Debt service	27,891	-	-	1,007,409
TOTAL EXPENDITURES	<u>4,384,727</u>	<u>598,322</u>	<u>341,707</u>	<u>1,007,409</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>89,876</u>	<u>76,036</u>	<u>(93,102)</u>	<u>(981,263)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	89,927	-	-	1,007,315
Loan proceeds	78,094	-	-	-
Operating transfers out	(107,700)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>60,321</u>	<u>-</u>	<u>-</u>	<u>1,007,315</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	150,197	76,036	(93,102)	26,052
FUND BALANCE, JULY 1	<u>1,075,203</u>	<u>568,426</u>	<u>357,153</u>	<u>1,562,592</u>
FUND BALANCE, JUNE 30	<u>\$ 1,225,400</u>	<u>\$ 644,462</u>	<u>\$ 264,051</u>	<u>\$ 1,588,644</u>



ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

Tax Increment Financing Authority	Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,402,051	\$ 36,233	\$ 5,458,352
-	-	20,564
-	-	1,758,348
654,901	-	710,490
-	-	260,165
-	-	39,431
-	-	23,684
76,563	38,558	299,155
(4,634)	(3,510)	(48,205)
-	6,398	108,288
<u>3,128,881</u>	<u>77,679</u>	<u>8,630,272</u>
-	-	15,003
-	-	953,205
-	-	2,345,086
2,409,275	29,995	4,149,901
-	-	87,005
-	-	185,935
-	-	1,035,300
<u>2,409,275</u>	<u>29,995</u>	<u>8,771,435</u>
<u>719,606</u>	<u>47,684</u>	<u>(141,163)</u>
-	236,067	1,333,309
-	-	78,094
<u>(1,054,587)</u>	<u>(132,033)</u>	<u>(1,294,320)</u>
<u>(1,054,587)</u>	<u>104,034</u>	<u>117,083</u>
(334,981)	151,718	(24,080)
<u>1,790,839</u>	<u>843,814</u>	<u>6,198,027</u>
<u>\$ 1,455,858</u>	<u>\$ 995,532</u>	<u>\$ 6,173,947</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF IRON MOUNTAIN**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2006

Net changes in fund balances – total governmental funds	\$ (24,080)
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The changes in net assets reported for governmental activities  
in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$2,278,286 exceeded depreciation expense \$1,307,815.

970,471

An internal service fund is used by the City to charge the cost of equipment usage to individual departments of the City which are not accounted for as an enterprise activity. The net revenue (expense) of the internal service fund is reported with governmental activities.

(157,617)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

New debt	\$(229,794)	
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Principal repayments:

Bond principal	835,000	
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Note principal	<u>95,666</u>	700,872
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	\$ (5,413)	
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Accrued interest on bonds	<u>5,427</u>	<u>14</u>
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Changes in net assets of governmental activities	\$ <u>1,489,660</u>
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**CITY OF IRON MOUNTAIN**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

June 30, 2006

	Enterprise Funds		
	Water Utility	Sewer Fund	Total
ASSETS:			
Current assets:			
Cash and equivalents - unrestricted	\$ 162,715	\$ 26,805	\$ 189,520
Cash and equivalents - restricted	558,136	-	558,136
Investments - unrestricted	693,094	-	693,094
Investments - restricted	99,247	-	99,247
Receivables	234,321	2,127	236,448
Due from other funds	5,787	23,088	28,875
Inventory	85,025	-	85,025
Deferred charges	98,742	-	98,742
Prepaid expenses	1,671	217	1,888
Total current assets	1,938,738	52,237	1,990,975
Noncurrent assets:			
Fixed assets:			
Land	43,236	-	43,236
Water system in service	11,687,741	-	11,687,741
Sanitary sewer system	-	66,410	66,410
Vehicles	-	-	-
Equipment	182,871	-	182,871
Less: accumulated depreciation	(1,962,558)	(2,313)	(1,964,871)
Net fixed assets	9,951,290	64,097	10,015,387
TOTAL ASSETS	11,890,028	116,334	12,006,362



**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

Internal Service Fund	
	\$ 7,444
	-
	-
	-
	29,675
	-
	94,760
	-
	<u>1,587</u>
	<u>133,466</u>
	-
	-
	-
	2,249,166
	766,135
	<u>(1,852,399)</u>
	<u>1,162,902</u>
	<u>1,296,368</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF IRON MOUNTAIN**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

June 30, 2006

	Enterprise Funds		
	Water Utility	Sewer Fund	Total
<b>LIABILITIES:</b>			
Current liabilities (payable from current assets):			
Accounts payable	23,860	6,748	30,608
Accrued wages	6,331	2,182	8,513
Accrued expenses	72,569	577	73,146
Due to other funds	66,682	371	67,053
Due to other governmental units	35,879	-	35,879
Bonds payable	85,000	-	85,000
Total current liabilities (payable from current assets)	290,321	9,878	300,199
Current liabilities (payable from restricted assets):			
Customer deposits	53,958	-	53,958
Long-term liabilities:			
Bonds payable	4,480,000	-	4,480,000
TOTAL LIABILITIES	4,824,279	9,878	4,834,157
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	5,386,290	64,097	5,450,387
Unrestricted	1,679,459	42,359	1,721,818
TOTAL NET ASSETS	\$ 7,065,749	\$ 106,456	\$ 7,172,205



**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS



Internal  
Service  
Fund

11,341  
2,350  
773  
6,036

-  
-

20,500

-

-

20,500

1,162,902  
112,966

\$ 1,275,868

The accompanying notes to the financial statements are an integral part of this statement.

# CITY OF IRON MOUNTAIN

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

June 30, 2006

	Enterprise Funds		
	Water Utility	Sewer Fund	Total
OPERATING REVENUES:			
Charges for services	\$ 1,365,910	\$ 158,067	\$ 1,523,977
Rental income	-	-	-
Other	27,620	513	28,133
TOTAL OPERATING REVENUES	1,393,530	158,580	1,552,110
OPERATING EXPENSES:			
Production	85,741	101,847	187,588
Distribution	295,682	-	295,682
Administration	247,778	-	247,778
Collection	96,553	-	96,553
Depreciation	138,725	2,313	141,038
Personnel	-	-	-
Supplies	-	-	-
Other services and charges	75,495	-	75,495
TOTAL OPERATING EXPENSES	939,974	104,160	1,044,134
OPERATING INCOME (LOSS)	453,556	54,420	507,976
NON-OPERATING REVENUES			
(EXPENSES):			
Contributions in aid of construction:			
TIFA	492,883	-	492,883
Municipality	835	-	835
Interest and rents	41,880	(275)	41,605
Unrealized gain (loss)	(5,269)	-	(5,269)
Deferred charge expense	(3,527)	-	(3,527)
Bond interest expense and fees	(71,185)	-	(71,185)
Debt service	-	-	-
Other	2,262	-	2,262



**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

Internal Service Fund	
	\$ -
	382,774
	<u>3,979</u>
	<u>386,753</u>
	-
	-
	-
	-
	143,366
	231,497
	83,095
	<u>194,838</u>
	<u>652,796</u>
	<u>(266,043)</u>
	-
	-
	3,726
	-
	-
	-
	(92,200)
	<u>151,700</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF IRON MOUNTAIN**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS**

June 30, 2006

	Enterprise Funds		Total
	Water Utility	Sewer Fund	
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>457,879</u>	<u>(275)</u>	<u>457,604</u>
Income (loss) before transfers and contributions	<u>911,435</u>	<u>54,145</u>	<u>965,580</u>
OPERATING TRANSFERS:			
Operating transfers in:			
General Fund	-	-	-
Water Capital Improvement Fund	19,787	-	19,787
Operating transfers out:			
General Fund	(20,000)	-	(20,000)
Water Capital Improvement Fund	<u>(64,000)</u>	<u>-</u>	<u>(64,000)</u>
TOTAL TRANSFERS	<u>(64,213)</u>	<u>-</u>	<u>(64,213)</u>
Change in net assets	847,222	54,145	901,367
NET ASSETS, BEGINNING OF YEAR	<u>6,218,527</u>	<u>52,311</u>	<u>6,270,838</u>
NET ASSETS, END OF YEAR	<u>\$ 7,065,749</u>	<u>\$ 106,456</u>	<u>\$ 7,172,205</u>



**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

Internal  
Service  
Fund

63,226

(202,817)

45,200

-

-

-

45,200

(157,617)

1,433,485

\$ 1,275,868

The accompanying notes to the financial statements are an integral part of this statement.



**CITY OF IRON MOUNTAIN**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

June 30, 2006

		Enterprise Funds
	Water Utility	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from operations	\$ 1,336,069	\$ 156,388
Receipts from other operating activities	27,620	513
Payments for operating expenses	(568,492)	(39,886)
Payments for wages and related benefits	(519,058)	(60,014)
NET CASH PROVIDED FROM (USED )BY OPERATING ACTIVITIES	276,139	57,001
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers from other funds	19,787	-
Transfers to other funds	(84,000)	-
Other	2,262	-
NET CASH PROVIDED FROM (USED) BY NON-CAPITAL FINANCING ACTIVITIES	(61,951)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Contributed capital	493,718	-
Proceeds from new borrowings	-	-
Repayment of loan principal	(85,000)	-
Repayment of loan interest	(71,185)	-
Proceeds from sale of fixed assets	-	-
Acquisition of fixed assets	(1,125,419)	(66,410)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(787,886)	(66,410)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income (expense)	42,259	(275)
Purchase of investments	-	-
Proceeds from investment sales	135,259	-
NET CASH PROVIDED FROM (USED) BY INVESTING ACTIVITIES	177,518	(275)
NET (DECREASE) IN CASH AND EQUIVALENTS	(396,180)	(9,684)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	1,117,031	36,489
CASH AND EQUIVALENTS, END OF YEAR	\$ 720,851	\$ 26,805



**ANDERSON, TACKMAN  
& COMPANY, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

<u>Total</u>	<u>Internal Service Fund</u>
\$ 1,492,457	\$ 360,260
28,133	3,979
(608,378)	(257,954)
<u>(579,072)</u>	<u>(246,675)</u>
333,140	(140,390)
19,787	45,200
(84,000)	-
<u>2,262</u>	<u>-</u>
(61,951)	45,200
493,718	-
-	151,700
(85,000)	(70,556)
-	(21,644)
<u>(1,191,829)</u>	<u>(151,694)</u>
(854,296)	(92,194)
41,984	5,038
-	-
<u>135,259</u>	<u>75,000</u>
177,243	80,038
(405,864)	(107,346)
<u>1,153,520</u>	<u>114,790</u>
<u>\$ 747,656</u>	<u>\$ 7,444</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF IRON MOUNTAIN**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

June 30, 2006

	Enterprise Funds	
	Water Utility	Sewer Fund
RECONCILIATION OF OPERATING INCOME TO NET		
CASH PROVIDED FROM (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 453,556	\$ 54,420
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	138,725	2,313
Changes in assets and liabilities:		
Decrease (Increase) in receivables	(24,297)	(482)
Decrease (Increase) in due from other funds	(5,544)	(1,196)
Decrease (Increase) in inventory	9,484	-
Decrease (Increase) in prepaids	(142)	90
Decrease (Increase) in deferred charges	-	-
Increase (Decrease) in accounts payable	(313,276)	1,041
Increase (Decrease) in interest payable	(2,173)	-
Increase (Decrease) in accrued payroll	(952)	1,967
Increase (Decrease) in due to other funds	17,469	(1,152)
Increase (Decrease) in other liabilities/deposits	3,289	-
NET CASH PROVIDED FROM (USED) BY OPERATING ACTIVITIES	<u>\$ 276,139</u>	<u>\$ 57,001</u>

<u>Total</u>	<u>Internal Service Fund</u>
\$ 507,976	\$ (266,043)
141,038	143,366
(24,779)	(22,514)
(6,740)	-
9,484	(2,940)
(52)	(185)
-	-
(312,235)	1,077
(2,173)	-
1,015	822
16,317	6,027
3,289	-
<u>\$ 333,140</u>	<u>\$ (140,390)</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF IRON MOUNTAIN**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

June 30, 2006

	Expendable Trust Fund	Non-Expendable Trust Fund	Pension Trust Fund
	Health Insurance	Cemetery Perpetual Care	Police and Fire Pension
ASSETS:			
Cash and equivalents	\$ 45,325	\$ 38,526	\$ 219
Receivables:			
Accounts	-	2,650	-
Interest and dividends	2,419	2,831	-
Investments, at fair value	347,869	417,220	7,311,178
<b>TOTAL ASSETS</b>	<b>395,613</b>	<b>461,227</b>	<b>7,311,397</b>
LIABILITIES:			
Accounts payable	3,770	-	-
Due to other funds	-	1,712	-
<b>TOTAL LIABILITIES</b>	<b>3,770</b>	<b>1,712</b>	<b>-</b>
NET ASSETS:			
Held in trust for pension benefits and other purposes	<u>\$ 391,843</u>	<u>\$ 459,515</u>	<u>\$ 7,311,397</u>

ANDERSON, TACKMAN  
& COMPANY, P.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



The accompanying notes to the financial statements are an integral part of this statement.

# CITY OF IRON MOUNTAIN

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

For the Year Ended June 30, 2006

	Expendable Trust Fund	Non-Expendable Trust Fund	Pension Trust Fund
	Health Insurance	Cemetery Perpetual Care	Police and Fire Pension
<b>ADDITIONS:</b>			
Contributions:			
Employer	\$ -	\$ -	\$ 391,701
Plan members	2,076	-	68,824
Other	159,693	-	-
<b>Total contributions</b>	<b>161,769</b>	<b>-</b>	<b>460,525</b>
Investment earnings:			
Net increase (decrease) in fair value of assets	(671)	(5,807)	(138,142)
Interest	27,384	19,966	115,634
Dividends	-	-	101,283
Premium on purchase of securities	-	(1,085)	-
Gain on sale of securities (net of losses)	-	-	485,827
<b>Total investment earnings</b>	<b>26,713</b>	<b>13,074</b>	<b>564,602</b>
Other	-	14,000	479
<b>TOTAL ADDITIONS</b>	<b>188,482</b>	<b>27,074</b>	<b>1,025,606</b>
<b>DEDUCTIONS:</b>			
Benefits	-	-	629,665
Retirees health insurance	632,473	-	-
Administrative expenses	-	-	83,156
Other	-	-	1,993
Transfer out	-	19,976	-
<b>TOTAL DEDUCTIONS</b>	<b>632,473</b>	<b>19,976</b>	<b>714,814</b>
<b>Change in net assets</b>	<b>(443,991)</b>	<b>7,098</b>	<b>310,792</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>835,834</b>	<b>452,417</b>	<b>7,000,605</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 391,843</b>	<b>\$ 459,515</b>	<b>\$ 7,311,397</b>

The accompanying notes to the financial statements are an integral part of this statement.



## CITY OF IRON MOUNTAIN

### NOTES TO FINANCIAL STATEMENTS

June 30, 2006

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### THE REPORTING ENTITY

The City of Iron Mountain, Michigan ("City") was incorporated in 1889 under the provisions of the State of Michigan. Pursuant to a Home Rule Charter adopted by public vote on October 22, 1985, the City operates under a Council-Manager form of government and provides the following services to its residents: public safety (police and fire), highway and streets, sanitation, culture-recreation, public improvements, planning and zoning, certain public utilities and general administrative services.

The City, for financial reporting purposes, includes all of the funds and account groups relevant to its operations. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate distinct units of government apart from the City. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board and scope of public service.

Based on the foregoing criteria, the financial statements of the City's Downtown Development Authority (D.D.A.) and Tax Increment Financing Authority (T.I.F.A.) are included in the accompanying financial statements.

The Iron Mountain Housing Commission (Commission) is included as a discretely presented component unit of the City. The Commission provides safe and affordable housing for low income and elderly individuals. The Commission was formed under Public Act 18 of 1933 of the State of Michigan and operates under a Board of Commissioners appointed by the City Manager. The Commission issues separately audited financial statements and can be obtained from the Iron Mountain Housing Commission at 401 East "D" Street, Iron Mountain, MI 49801.

Similarly, it has been determined that the financial statements of the following organizations should not and accordingly, are not included in the accompanying financial statements: Joint Sewage Authority, Central Landfill Authority, the Economic Development Authority and the School District of the City of Iron Mountain.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.



## **CITY OF IRON MOUNTAIN**

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2006

(Continued)

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **BASIS OF PRESENTATION**

###### **Government-Wide Financial Statements:**

The Statement of Net Assets and Statement of Activities display information about the City as a whole. They include all funds of the City except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

###### **Fund Financial Statements:**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the City are considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The City reports the following as major governmental funds in accordance with the above criteria:

The General Fund which is described below.

T.I.F.A. Debt Service Fund which is described below.

Tax Increment Financing Authority Fund which is described below.

The City reports the following as major enterprise funds in accordance with the above criteria:

